



# Texas Triumphs

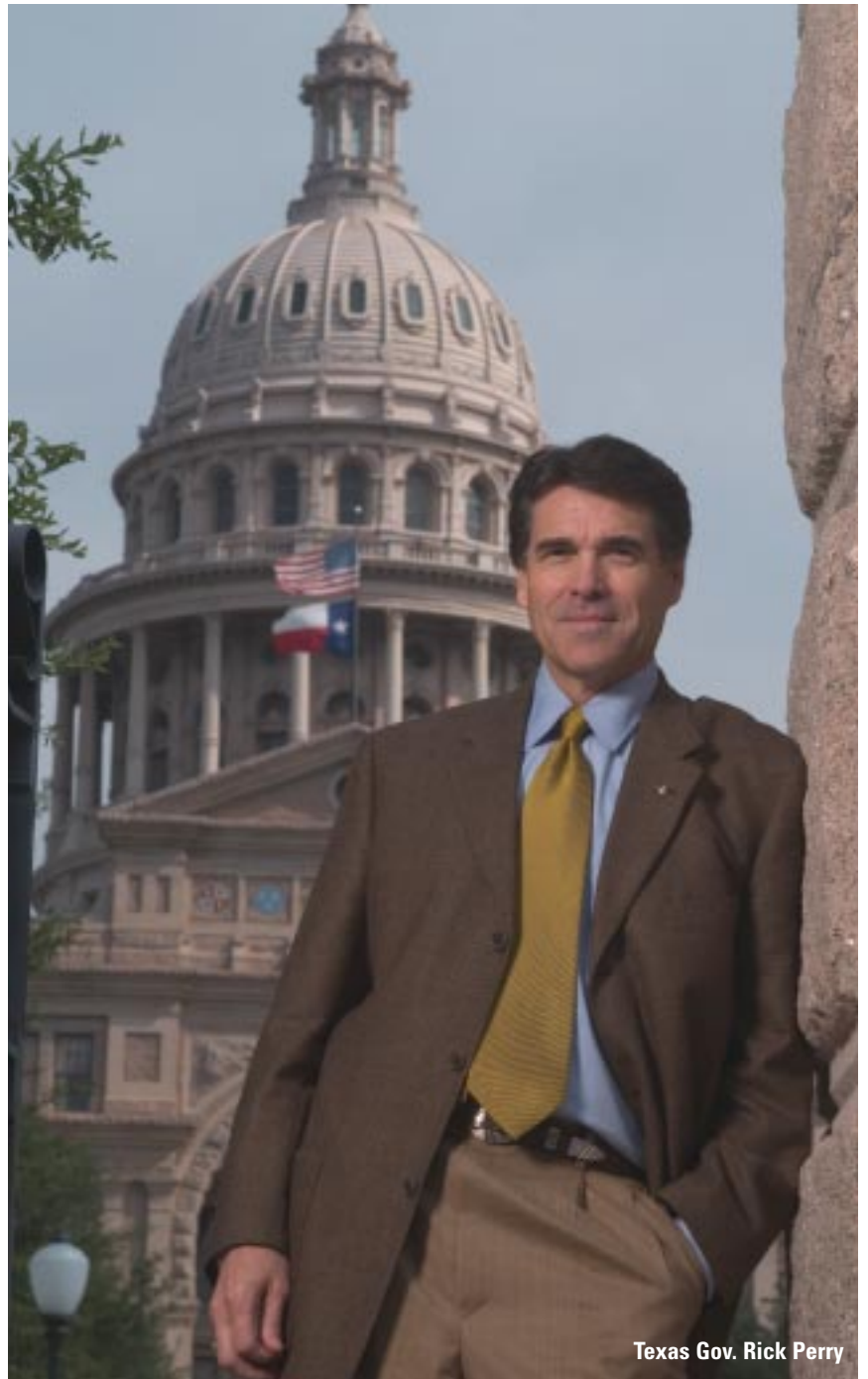
The Lone Star State ends a Tarheel toehold on the Top Business-Climate slot.

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**S**ite Selection's annual ranking of state business climates has a new pecking order as Texas unseats North Carolina's three-year claim to first place. The Lone Star State had performed well in the contest in recent years, finishing in 6th place in 2003 and third in 2002 — corporate executives surveyed named the state their first choice that year. But pro-business measures and actual capital investment as tracked by Conway Data's New Plant database combined to catapult Texas into first place in the 2004 ranking.

The ranking reflects a combination of factors. Fifty percent of a state's performance is based on a survey of corporate real estate executives in which they were asked to rank their top 10 states according to ease of doing business, overall business costs and related factors. The smaller of the two charts shows the top 10 states in that exercise. The other 50 percent of the ranking is based on the states' performance in four criteria associated with recent business-expansion activity recorded in the New Plant database — see the larger of the two charts.

Texas' not-so secret weapon is the Texas Enterprise Fund (TEF), a US\$295-million fund established in 2003 to help lure projects to the state. The governor's office administers the program. Some of those funds (\$50 million to the University of Texas at Dallas for enhanced engineering and computer science programs) are behind **Texas Instruments'** decision to build a second research and manufac-



Texas Gov. Rick Perry

Photo credit: Bob@bobphoto.com

turing plant in Richardson — a project that made the cover of *Site Selection's* May 2004 issue.

“Without the Texas Enterprise Fund, Texas Instruments’ \$3 billion wafer fabrication facility would not have selected Richardson, and the Dallas/Ft.

Worth region would be without the 75,000 high-paying jobs the investment is expected to generate,” says Bill Sproull, president and CEO of the Richardson Chamber of Commerce.

Other examples of TEF distributions include \$1.5 million to **Maxim** for a new semiconductor facility in San Antonio, which could create up to 600 jobs; \$25 million for a new Center for Advanced Diagnostic Imaging in Houston, which could help generate 2,200 new jobs in the biotechnology field; and \$40 million to **Sematech** to help establish the Advanced Materials Research Center in Austin for research in nanotechnology, biotechnology and other emerging industries. **Home Depot**, **Citgo** and **Koyo Steering Systems N.A.** also are recipients of TEF funds. Koyo, which got \$333,000 in TEF incentives, is investing \$30 million in a 40-acre (16-hectare) parts manufacturing plant in Ennis. In all, 13 projects slated to create almost 15,000 jobs within the next five years had received TEF funds as of September 2004.

“These projects and others, such as the half-billion-dollar expansion by Samsung, are building Texas’ reputation as a leader in the new economy,” Gov. Rick Perry told a gathering of high-tech industry executives in September 2004. “Because of the Texas Enterprise Fund, Texas no longer is at a disadvantage when competing for jobs across the country. Now we are the talk of the nation with the largest deal-closing fund that will create the jobs and capital investments that will provide more money for education, health care and other important state priorities that will benefit all Texans.”

“Our governor used to court new

## Executive Survey Business Climate Rankings

Top Ten States

1. Texas
2. Georgia
3. Alabama
4. Florida
5. South Carolina
6. Tennessee
7. Nevada
8. Arizona
9. North Carolina
10. Colorado

Source: *Site Selection* survey of corporate real estate executives, August 2004.

businesses with a paper bag,” said Texas Speaker of the House Tom Craddick in October. “Now he can do it with a briefcase.”

(For more in-depth coverage of recent Texas projects and excerpts of an interview with Gov. Perry, see the Texas Spotlight article in the September 2004 issue of *Site Selection*.)

budget shortfall, which has since been eradicated — without increased taxes.

Fiscal health, too, is a factor behind state business climates. Budget deficits make it harder to fund TEF and other business-recruitment programs and can negatively affect a site seeker’s perception of the state as a location for new investment. In Texas’ case, other states are looking there at what is behind its economic growth and ability to create programs on the scale of TEF. The state’s general revenues finished fiscal year 2004 \$1.8 billion higher than in 2003.

In September, state Comptroller Carole Keeton Strayhorn transferred \$594 million into the state’s Economic Stabilization Fund — or Rainy Day Fund — bringing its balance to \$878 million. The bulk of the infusion of funds is attributed to an unexpected surge in the natural gas severance tax. Money is transferred into the fund when oil and gas severance taxes are above a benchmark amount, which is the 1987 level, the year the Legislature created the fund. Strayhorn would like to see the fund grow to \$3 billion. **SITE**

### Fiscally Fit

But there is more to Texas’ business climate than TEF money. Corporate America has taken note of the state’s recent passage of a constitutional amendment mandating tort reform. By one estimate, the state’s lawsuit reform measures will eventually lead to the creation of more than 240,000 permanent jobs and add \$36 billion to the Texas economy.

The state is also investing heavily in education despite a recent \$10-billion

## Site Selection's 2004 Top 25 State Business Climate Rankings

| Overall Ranking               | 2001-03 NP Rank | Rank per Million | Rank per 1000 Sq. Mi. | 2003 NP Rank | Executive Survey | Final Total |
|-------------------------------|-----------------|------------------|-----------------------|--------------|------------------|-------------|
| 1 Texas                       | 5               | 18               | 26                    | 3            | 1                | 56          |
| 2 New York                    | 3               | 10               | 2                     | 2            | 12               | 65          |
| 3 Illinois                    | 2               | 2                | 4                     | 4            | 14               | 68          |
| 4 Georgia                     | 14              | 15               | 18                    | 14           | 2                | 69          |
| 5 North Carolina              | 8               | 7                | 8                     | 12           | 9                | 71          |
| 6 Florida                     | 12              | 24               | 14                    | 9            | 4                | 75          |
| 7 Tennessee                   | 15              | 13               | 15                    | 13           | 6                | 80          |
| 8 South Carolina <sup>†</sup> | 16              | 12               | 16                    | 18           | 5                | 82          |
| 8 Ohio <sup>†</sup>           | 4               | 4                | 1                     | 1            | 18               | 82          |
| 10 Alabama                    | 17              | 17               | 23                    | 20           | 3                | 89          |
| 11 Pennsylvania               | 7               | 14               | 6                     | 6            | 17               | 101         |
| 12 Kentucky                   | 13              | 5                | 11                    | 10           | 19               | 115         |
| 13 Mississippi                | 19              | 11               | 24                    | 23           | 11               | 121         |
| 14 California                 | 6               | 29               | 21                    | 19           | 13               | 127         |
| 15 Michigan                   | 1               | 1                | 3                     | 5            | 29 <sup>†</sup>  | 128         |
| 16 Minnesota <sup>†</sup>     | 11              | 6                | 20                    | 11           | 21 <sup>†</sup>  | 134         |
| 16 Virginia <sup>†</sup>      | 10              | 9                | 9                     | 8            | 24 <sup>†</sup>  | 134         |
| 18 Indiana                    | 9               | 8                | 7                     | 7            | 26               | 135         |
| 19 Iowa                       | 23              | 21               | 27                    | 17           | 15 <sup>†</sup>  | 150         |
| 20 Louisiana                  | 18              | 19               | 22                    | 15           | 20               | 154         |
| 21 Oklahoma                   | 24              | 26               | 32                    | 25           | 15 <sup>†</sup>  | 169         |
| 22 Nevada                     | 36              | 30               | 43                    | 35           | 7                | 172         |
| 23 Colorado                   | 31              | 34               | 38                    | 36           | 10               | 179         |
| 24 Arizona <sup>†</sup>       | 35              | 40               | 42                    | 33           | 8                | 182         |
| 24 Missouri <sup>†</sup>      | 20              | 27               | 28                    | 21           | 21 <sup>†</sup>  | 182         |

Source: Conway Data New Plant Data Base

T = Tie in rankings